

## Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 ONY-00 CCO-00 /008 W  
----- 028384 /44-R  
O 161420Z DEC 76  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC IMMEDIATE 8831

C O N F I E N T I A L SECTION 01 OF 02 LONDON 20332

FOR EB/TRP - MR O'DONNELL  
STADIS////////////////////////////////////

E.O. 11652: GDS  
TAGS: ETRD, EAGR  
SUBJECT: COFFEE WAA CONCERN TVE HIGH PRICES

RES: STATE 302672

1. US EP ICO DISCUSSED CONCERNS CITED IN REFTEL WITH  
ICO EXECUTIVE DIRECTOR BELTRAO DECEMBER 14 AND 15.  
BELTRAO FEELS THERE IS LITTLE THE INTENATIONAL COFFEE  
ORGANIZATITN OVERTLY CAN DO, OR OUGHT TO ATTEMPT TO DO,  
TO TRY TO MODERATE PRICES IN SHOT TERM. GIVEN  
NERVOUS STATE OF MARKET, BELTRAO THINKS ICT MUST TREAD  
WAY CAREFULLY TO AVOID ADVESE PHYSOCLOGICAL EFFECT  
WHICH MIGHT ADD TT DIFFICULTIES. WITH SPECIFIC RELARE  
TO PICE EFFECT OS HAVING SOME PRODUCERS REDUCE EXPORT  
TAXES, BELTRAO FEELS ON BALANCE LIUELY SHORT-TERM E-  
SULT WOULD BE OPPOSITE OF THAT DESIRED: LRTWERS WITH  
HTRE RETU FOH SHALLER LOTS EXPOTED WOULD BE IN  
STRTNLE FINANCIAL POSITION TO HOLD BACK COFFEE IN  
ANTICIPATION OF EVEN HIGHER PROFITS (I.E., THEY WOULD  
WAIT FOR \$3.00 PER LB. COFFEE)# OVER LONGER RUN, RE-  
DUCED TAXES. OF COURSE, PROBABLY WOULD INDUCE INCREASED  
INVESTMENT.

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2. ON QUESTION OF DESIRABILITY OF INCREASING PHYSICAL  
SHIPMENTS, BELTRAO OTED THAT EXPORTS THROUGH OCTOBER  
7(SEE ZELTW) HAD BEEN AT ABOUT NORMAL LEVELS. WHILE  
COFFEE IS UNDENIABLY IN SHORT SUPPLY, THE MARKET HAS  
TYPICALLY ANTICIPATEE THE PHYSICAL SHORTAGE A E PROB-  
ABLY OVER-REACTED (IN PAST, PRICES HAVE SPIRALLED AFTER

A BRAZIL FROST EVEN WHE WORLD STOCKS WERE HIGH;  
TODAY'S COMBINATION OF FROST PLUS LOW STOCKS HEATS UP  
MARKET EVEN MORE). IN THIS SITUATION, THERE ARE  
OBVIOUS SPECULATIVE GAINS TO BE MADE, BUT BELTRAO  
THINKS IT IS PRACTICALLY IMPOSSIBLE TO IDENTIFY THE  
MARKETING STAGE WUEWMQL., EXPORTER. TRADER. ROASTEWLN  
WHEE THE BULU OF SUCH GAINS ARE LIKELY.

3.Q REGARDING ROLE TS ICT, BELTRAO SEES THIS AS CON-  
CERNED AND ACTIVE BUT LOW-KEY AND BEHIND SCENES.  
EMPHASIS NTW SHOULD BE ON INFORMATION GATHERING. IN  
THIS REGARD, BELTRAO IS MAINTAINING CLOSE CONTACT WITH  
TRADE SOURCES IN SWITZERLAND, FRANCE AND ELSEWHERE IN  
EUTPE.Q HE HOPES TO BE ABLE TO ANTICIPATE ANY DOWNWARD  
TREND IN PRICES AND BY ACCELERATING DISSEMINATION OF  
INFORMATION TO MAKE SOME CONTRIBUTION TO DAMPENING  
PRICES (E.G., HELPING TO DIMINISH PROPENSITY TO HOARD).  
HE EXPECTS TO RELEASE EXPORT DATA SHORTLY AFTER THE  
CLOSE OF 1976 BUT FEELS RELEASE OF PARTIAL DATA BEFORE  
THE END OF STME SUCH NORMAL PERIOD COULD RAISE MORE  
QUESTIONS THAN IT ANSWERS.

4. FOR THE LONGER RUN' BELTRAO BELIEVES IT WOULD BE  
USEFUL TO FOCUS ATTENTION ON PRODUCTION POLICY. THIS  
PROBABLY SHOULD NOT BE ATTEMPTED PRIOR TO COMPLETION  
OF THE BRAZILIAN STOCK VERIFICATION THIS SPRING'

. DATA REPRODUCED BELOW WAS PROVIDED BY BELTRAO.  
WHILE NOT YET PUBLISHED BY ICO AND IN SOME CASES NOT  
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REFINED, DEPARTMENT MAY FIND USEFUL:

A. SUMMARY STOCKS IN PRODUCING COUNTRIES,  
(MILLION BAGS; SEPTEMBER VERIFICATION FOR MOST).

|                         | 1975    | 1976   | CHANGE |
|-------------------------|---------|--------|--------|
| COLOMBIAN MILDS         | 3.6     | 2.2    | - 1.4  |
| OTHER MILDS             | 5.8     | 2.7    | - 3.1  |
| ROBUSTAS                | 10.9(1) | 8.2(1) | - 2.7  |
| ARABICAS                |         |        |        |
| BRAZIL                  | 28.2    | (2)    |        |
| ETHIOPIA                | 0.5(3)  | 0.5(3) |        |
| TOTAL, EXCL.<br>BRAZIL) | 20.8    | 13.6   | -7.2   |

NOTE BY OC/T: LONDON 20332 TEXT GARBLED. CORRECTION TO FOLLOW.

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INFO OCT-01 ISO-00 ONY-00 CCO-00 /008 W  
----- 028359 /44-R

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TO SECSTATE WASHDC IMMEDIATE 8832

C O N F I D E N T I A L SECTION 02 OF 02 LONDON 20332

(1) ANGOLAN STOCKS ESTIMATED BY MEMBER AT 3.8.

(2) NEXT VERIFICATION FOR BRAZIL DUE APRIL 1977.

(3) ESTIMATED BY MEMBER.

B. SUMMARY EXPORTS REPORTED, NOVEMBER-OCTOBER  
(THOUSAND BAGS).

72/73 73/74 74/75 75/76

COLOMBIAN MILDS 8.568 9,2L4 9,866 8,918

OTHER MILDS 15,158 13'440 16,318 15,866

ROBUSTAS 16,585 18,213 15,560 16,834

ARABICAS:

BRAZIL 18,483 14,920 14,707 13,480

OTHER 1,559 1,068 1,141 1,308

TOTAL 60,353 56,855 57,592 56,406

5. REF STATE 302391, CURRENT RETAIL PRICES FOR 1 LB.

LYONS COFFEE IN LONDON IS 1-1/2 POUNDS. BELTRAO NOTES  
THAT PRICE CONTROL MEASURES ON CONTINENT HAVE TENDED  
TO INSULATE CONSUMERS THUS FAR.

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COFFEE, DIPLOMATIC DISCUSSIONS, PRICE CONTROLS, INTERNATIONAL ORGANIZATIONS, MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 DEC 1976  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** BoyleJA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
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**Executive Order:** RR  
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**Film Number:** D760463-0267  
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**Handling Restrictions:** n/a  
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04 MAY 2006

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**To:** SECSTATE WASHDC  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006